

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name SALINE TOWNSHIP	County WASHTENAW
Fiscal Year End MARCH 31, 2006	Opinion Date MAY 25, 2006	Date Audit Report Submitted to State SEPTEMBER 15, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

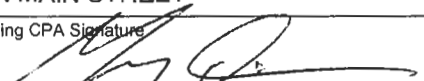
SE 2

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	NOT NEEDED THIS YEAR	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) ROBERTSON, EATON & OWEN		Telephone Number (517) 265-6154	
Street Address 121 N MAIN STREET		City ADRIAN	State MI
		Zip 49221	
Authorizing CPA Signature 	Printed Name GARY OWEN		License Number 1101008646

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006
WITH
INDEPENDENT AUDITORS' REPORT**

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

INDEPENDENT AUDITORS' REPORT

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**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended March 31, 2006**

As management of Saline Township, Washtenaw County, Michigan, we offer readers of Saline Township, Washtenaw County, Michigan's financial statements this narrative overview and analysis of the financial activities of Saline Township, Washtenaw County, Michigan for the fiscal year ended March 31, 2006. We encourage readers to consider the information presented here.

Financial Highlights

- The assets of Saline Township, Washtenaw County, Michigan exceeded its liabilities at the close of the most recent fiscal year \$381,129 (*net assets*). Of this amount, \$216,242 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased \$1,069.
- As of the close of the current year, Saline Township, Washtenaw County, Michigan's governmental fund reported an ending fund balance of \$216,242, an increase of \$20,508 in comparison with the prior year.
- At the end of the current year, unreserved fund balance for the General Fund was \$216,242 or 71.7 percent of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Saline Township, Washtenaw County, Michigan's basic financial statements. Saline Township, Washtenaw County, Michigan's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Saline Township, Washtenaw County, Michigan's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Saline Township, Washtenaw County, Michigan's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Saline Township, Washtenaw County, Michigan is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements can be found on pages 3 – 4 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Saline Township, Washtenaw County, Michigan, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Saline Township, Washtenaw County, Michigan can be divided into two categories: governmental and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Saline Township, Washtenaw County, Michigan adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for the major governmental fund to demonstrate compliance with budget.

The basic governmental fund financial statements can be found on pages 5 – 6 of this report.

The basic fund financial statements with budget can be found on page 7 of this report.

Fiduciary Fund. The Fiduciary Fund is used to account for resources held under tax collection activity. The Fiduciary fund is *not* reflected in the government-wide financial statement. The accounting used for the Fiduciary Fund is much like that used for Proprietary Funds.

The basic fiduciary fund financial statement can be found on page 8 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 9 – 16 of this report.

Other information. A Fiduciary Fund Schedule can be found on page 17 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Saline Township, Washtenaw County, Michigan, assets exceeded liabilities by \$381,129 at the close of the most recent fiscal year.

A large portion of Saline Township, Washtenaw County, Michigan's net assets (43 percent) reflects its investment in capital assets (e.g., land, buildings, equipment), less any related debt used to acquire those assets that is still outstanding.

Saline Township, Washtenaw County, Michigan's Net Assets

	<u>Governmental Activities</u>
Current and other assets	\$ 229,512
Capital assets	<u>164,887</u>
Total assets	<u>\$ 394,399</u>
Other liabilities	<u>\$ 13,270</u>
Total liabilities	<u>\$ 13,270</u>
Net assets:	
Invested in capital assets, net of related debt	\$ 164,887
Unrestricted	<u>216,242</u>
Total net assets	<u>\$ 381,129</u>

The balance of *unrestricted net assets* (\$216,242) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Saline Township, Washtenaw County, Michigan is able to report a positive balance in net assets for the government as a whole. The same situation held true for the prior fiscal year.

A summary of Saline Township's change in net assets is as follows:

Summary of Saline Township, Washtenaw County, Michigan's Change in Net Assets

	<u>Governmental Activities</u>
Program revenues:	
Permit fees	\$ 25,282
Fire	1,180
Public Inspection	34,475
Administrative tax collection fee	<u>23,097</u>
Total program revenues	84,034
General revenues:	
Property taxes	136,276
State revenues	87,934
Investment earnings	5,752
Other	<u>7,989</u>
Total general revenues	<u>237,951</u>
Total revenues	<u>\$ 321,985</u>
Program expenses:	
Governmental activities:	
General government	163,771
Public safety	102,651
Highways and streets	32,315
Sanitation	<u>22,179</u>
Total expenses	<u>\$ 320,916</u>
Change in net assets	1,069
Net assets-beginning of year	<u>380,060</u>
Net assets-end of year	<u>\$ 381,129</u>

Financial Analysis of the Government's Funds

As noted earlier, Saline Township, Washtenaw County, Michigan uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Saline Township, Washtenaw County, Michigan's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Saline Township, Washtenaw County, Michigan's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of this fiscal year.

As of the end of the current fiscal year, Saline Township, Washtenaw County, Michigan's governmental fund (General Fund) reported an ending fund balance of \$216,242, an increase of \$20,508 in comparison with the prior year.

General Fund Budgetary Highlights

There are significant differences between final budget and actual for line items: licenses, fees and permit income and legal and audit fees due to the use of escrow funds to cover incurred expenses and the recognition of the related income.

Election expenditures are under budget because costs incurred were reimbursed by the Washtenaw County Clerk's office.

Highways, streets, and bridges actual expenditures are greater than expected because the township decided to upgrade Dell Road for safety purposes with the knowledge that actual expenditures would exceed budget.

Licenses, fees and permit income as well as cemetery lots were amended throughout the year to adjust for actual increases.

Fire protection and highways, streets and bridges expenditures were amended from original budget to adjust for actual increases.

Capital Assets

Capital assets. Saline Township, Washtenaw County, Michigan's investment in capital assets for its governmental activities as of March 31, 2006, amounts to \$164,887 net of accumulated depreciation). This investment in capital assets includes land, buildings, furniture and equipment, and fire vehicles and equipment. The total decrease in Saline Township, Washtenaw County, Michigan's investment in capital assets for the current fiscal year was \$(19,439) which represents depreciation.

Saline Township, Washtenaw County, Michigan's Capital Assets

	Governmental Activities
Land	\$ 1,000
Buildings	90,031
Furniture and equipment	19,235
Fire vehicles and equipment	<u>54,621</u>
Total	<u>\$ 164,887</u>

Additional information on Saline Township's capital assets can be found in Note 4 on page 15.

Economic Factors and Next Year's Budgets and Rates

Next year's property tax revenue is expected to increase as a result of an approved millage to provide funds to defend the Township against any litigation challenging the Township's zoning regulations, including without limitation, the lawsuit brought on by Biltmore Holdings, LLC, a land development company, and to review and update the Township's General Development Plan and the Township Zoning Ordinance. The millage is expected to raise approximately \$74,000 in the 2006-07 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of Saline Township, Washtenaw County, Michigan's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Saline Township, 5731 Braun Road, Saline, Michigan 48176.

May 25, 2006

INDEPENDENT AUDITORS' REPORT

Saline Township
Washtenaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Saline Township, Washtenaw County, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Saline Township, Washtenaw County, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Saline Township, Washtenaw County, Michigan, as of March 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2005.

May 25, 2006

Saline Township
Washtenaw County, Michigan

The management's discussion and analysis on pages i through v is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Saline Township, Washtenaw County, Michigan's basic financial statements. The schedule of changes in assets and liabilities has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Robertson, Eaton & Owen, P.C.

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

STATEMENT OF NET ASSETS

March 31, 2006

	<u>Primary Government</u>
<u>ASSETS</u>	<u>Governmental Activities</u>
Current assets:	
Cash	\$ 209,280
Taxes receivable	7,465
Due from tax collection	<u>12,767</u>
Total current assets	<u>229,512</u>
Capital assets:	
Land	1,000
Buildings and improvements	300,295
Furniture and equipment	29,286
Fire vehicles and equipment	130,173
Accumulated depreciation	<u>(295,867)</u>
Total capital assets	<u>164,887</u>
Total assets	\$ <u>394,399</u>
<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities:	
Accounts payable	\$ 2,172
Other liabilities	1,098
Escrow deposits payable	<u>10,000</u>
Total liabilities	\$ <u>13,270</u>
Net assets:	
Invested in capital assets, net of related debt	\$ 164,887
Unrestricted	<u>216,242</u>
Total net assets	\$ <u>381,129</u>

The notes to the financial statements are an integral part of this statement.

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

STATEMENT OF ACTIVITIES

For the Year Ended March 31, 2006

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense Revenue and Changes in Net Assets)</u>
GOVERNMENTAL ACTIVITIES:			
Primary Government:			
Governmental activities:			
General government	\$ 163,770	\$ 48,379	\$ (115,391)
Public safety	102,652	35,655	(66,997)
Highways and streets	32,315		(32,315)
Sanitation	<u>22,179</u>	<u> </u>	<u>(22,179)</u>
Total governmental activities	<u>\$ 320,916</u>	<u>\$ 84,034</u>	<u>(236,882)</u>
General Revenues:			
Property taxes general			68,626
Property taxes fire			67,650
State shared revenue			87,934
Investment earnings			5,752
Other			<u>7,989</u>
Total general revenues			<u>237,951</u>
Change in net assets			1,069
Net assets – beginning of year			<u>380,060</u>
Net assets – end of year			<u>\$ 381,129</u>

The notes to the financial statements are an integral part of this statement.

SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN

BALANCE SHEET

GOVERNMENTAL FUND

March 31, 2006

	<u>Governmental Fund Type</u>
<u>ASSETS</u>	<u>General Fund</u>
Cash and cash equivalents	\$ 209,280
Taxes receivable	7,465
Due from tax collection	<u>12,767</u>
Total assets	\$ <u>229,512</u>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Accounts payable	\$ 2,172
Other liabilities	1,098
Escrow deposits payable	<u>10,000</u>
Total liabilities	\$ <u>13,270</u>
Fund Balance:	
Unreserved	\$ <u>216,242</u>
Total fund balance	<u>216,242</u>
Total liabilities and fund balance	\$ <u>229,512</u>
Total governmental fund balance	\$ 216,242
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in the governmental activities are not financial resources and are not reported in the fund:	
The cost of the capital asset is	460,754
The accumulated depreciation is	<u>(295,867)</u>
Net assets of governmental activities	<u>\$ 381,129</u>

The notes to the financial statements are an integral part of this statement.

SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUND

For the Year Ended March 31, 2006

	<u>Governmental Fund Type</u>
	<u>General Fund</u>
Revenues:	
Property taxes:	
General	\$ 68,626
Fire	67,650
State shared revenue	87,934
Metro authority	2,804
Charges for services:	
Licenses, fees and permits	53,007
Ambulance and fire	1,180
Administrative and tax collection fees	23,097
Hall rental	250
Cemetery lots	6,500
Investment earnings	5,752
Miscellaneous	<u>5,185</u>
Total revenues	<u>321,985</u>
Expenditures:	
Current:	
General government	157,349
Public safety	89,634
Highways, streets and bridges	32,315
Sanitation	<u>22,179</u>
Total expenditures	<u>301,477</u>
Net change in fund balance	20,508
Fund balance – beginning of year	<u>195,734</u>
Fund balance – end of year	<u>\$ 216,242</u>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net change in fund balance – total governmental fund	\$ 20,508
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities these costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	(19,439)
Capital outlay	<u></u>
Change in net assets of governmental activities.	<u>\$ 1,069</u>

The notes to the financial statements are an integral part of this statement.

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL**

For the Year Ended March 31, 2006

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues:				
Property taxes:				
General	\$ 65,400	\$ 65,400	\$ 68,626	\$ 3,226
Fire	63,500	63,500	67,650	4,150
State shared revenue	85,000	87,000	87,934	934
Metro authority	2,000	2,143	2,804	661
Charges for services:				
Licenses, fees and permits	15,510	19,610	53,007	33,397
Ambulance and fire	2,500	2,500	1,180	(1,320)
Administrative and tax collection fees	22,650	22,650	23,097	447
Hall rental	120	250	250	
Cemetery lots	1,000	6,500	6,500	
Investment earnings	750	2,200	5,752	3,552
Miscellaneous	<u>3,500</u>	<u>4,300</u>	<u>5,185</u>	<u>885</u>
Total revenues	261,930	276,053	321,985	45,932
Expenditures:				
General Government				
Township Board	\$ 24,200	\$ 25,912	\$ 31,488	\$ (5,576)
Supervisor	15,000	15,000	15,000	
Assessor	10,000	12,000	12,000	
Clerk	16,700	16,700	16,700	
Treasurer	15,500	15,500	15,500	
Legal and audit fees	6,000	6,000	27,976	(21,976)
Boards of Review and Appeals	1,900	1,900	1,485	415
Building and grounds	5,000	5,000	4,768	232
Cemetery	5,000	5,000	4,650	350
Insurance	9,000	9,035	9,044	(9)
Planning Commission	5,000	5,530	5,530	
Zoning	7,000	7,000	7,000	
Payroll taxes	5,010	5,010	5,072	(62)
Miscellaneous	4,100	4,100	1,125	2,975
Election	<u>4,720</u>	<u>4,720</u>	<u>11</u>	<u>4,709</u>
Total general government	<u>134,130</u>	<u>138,407</u>	<u>157,349</u>	<u>(18,942)</u>
Public safety				
Fire protection	<u>86,300</u>	<u>89,634</u>	<u>89,634</u>	
Total public safety	<u>86,300</u>	<u>89,634</u>	<u>89,634</u>	
Highways, streets and bridges				
Highways, streets and bridges	<u>19,300</u>	<u>25,812</u>	<u>32,315</u>	<u>(6,503)</u>
Total highways, streets and bridges	<u>19,300</u>	<u>25,812</u>	<u>32,315</u>	<u>(6,503)</u>
Sanitation				
Clean-up day	12,000	12,000	11,926	74
Drain at large	5,000	5,000	5,367	(367)
Recycling	<u>5,200</u>	<u>5,200</u>	<u>4,886</u>	<u>314</u>
Total sanitation	<u>22,200</u>	<u>22,200</u>	<u>22,179</u>	<u>21</u>
Total expenditures	<u>261,930</u>	<u>276,053</u>	<u>301,477</u>	<u>(25,424)</u>
Net change in fund balance			20,508	20,508
Fund balance – beginning of year			195,734	
Fund balance – end of year			<u>\$ 216,242</u>	

The notes to the financial statements are an integral part of this statement.

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

FIDUCIARY FUND

For the Year Ended March 31, 2006

	Agency Fund
	Tax Collection
ASSETS	
Cash and cash equivalents	\$ <u>12,767</u>
Total Assets	\$ <u><u>12,767</u></u>
LIABILITIES	
Due to general fund	\$ <u>12,767</u>
Total Liabilities	\$ <u><u>12,767</u></u>

The notes to the financial statements are an integral part of this statement.

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Saline Township, Washtenaw County, Michigan (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

Effective April 1, 2005, Saline Township, Washtenaw County, Michigan implemented the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Significant changes in the statement include the following:

- ◆ A Management's Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations has been included with the financial statements.
- ◆ Financial statements prepared using full accrual accounting for all of the Township's activities.
- ◆ A change in the fund financial statements to focus on the major fund.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). Saline Township has elected to implement the general provisions of the statement.

A. Reporting Entity

Saline Township is a noncharter township, governed by a Board of Trustees. As required by generally accepted accounting principles, these financial statements present Saline Township as a primary government. There are no component units to the Township.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Township. The government-wide financial statements categorize primary activities as either governmental or business-type. All of the Township's activities are classified as governmental activities. Amounts reported in the funds as receivable from or payable to fiduciary funds are included in the statement of net assets as receivable from or payable to external parties, rather than as internal balances. Therefore, all internal balances are eliminated in the total primary government column.

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major individual governmental fund is reported as a separate column in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Amounts due from other governments and services provided associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The *General Fund* is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the government reports the following fiduciary fund type:

The *Tax Collection Fund* is used to account for assets held by the Township as an agent for other governments and/or other funds. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Assets, liabilities, and net assets or equity.

1. Cash and investments

Cash includes amounts in cash on hand, demand deposits, except those deposits noted as investments (see below), as well as short-term investments with a maturity date within three months of the date acquired by the government.

Investments include money market and certificates of deposit where the intent is to hold funds long-term, as well as investments with maturity dates over three months of the date acquired by the government.

State statutes authorize the government to invest in Obligations of the U.S. Treasury, Federal Agencies, commercial paper, corporate bonds, repurchase agreements, and State approved Investment Pools.

Investments are stated at cost or amortized cost. The Township will use amortized cost only when it reflects fair value of the investment. Currently, no investments are stated at amortized cost.

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding in the governmental activities are reported in the government-wide financial statements as "internal balances".

Personal property taxes receivable is shown net of an allowance for uncollectibles. At March 31, 2006, there is no allowance for uncollectibles.

3. Property taxes

The Township property tax is levied on each December 1 on the taxable value of property located in the Township as of the preceding December 31.

The Township's 2005 ad valorem tax was levied and collectible on December 1, 2004. It is the Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are made available for the financing of Township operations. Payment from the County Delinquent Tax Fund, which purchases the 2004 delinquent real property taxes, is recorded as a receivable and recognized as revenue in the current fiscal year.

The 2005 adjusted taxable value of Saline Township totals \$72,168,986, on which ad valorem taxes levied for Township purposes are \$68,626. The millage rate is .9510.

Also, the Township has a special assessment millage of 1.0 for fire protection based only on the real property taxable value.

4. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and recorded as prepaid items in both government-wide and fund financial statements.

5. Capital assets

Capital assets, which include property, building, and equipment are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	75
Building improvements	10
Furniture and equipment	10-20
Office equipment	5

6. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The accounting basis used by the Township for budgeting is in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Township follows the budgetary procedures outlined by the State of Michigan including public hearings and proper adoption. All funds of the Township have a budget. All annual appropriations lapse at fiscal year end. The budgets are amended during the year as needed.

B. Excess of expenditures over appropriations in budgetary funds

P.A. 621 of 1978, Section 18(1), as amended, of the State of Michigan provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

The Saline Township did incur expenditures in the General Fund in excess of amount appropriated. Six line items in the General Fund incurred expenditures which were in excess of the amounts budgeted, as follows:

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

B. Excess of expenditures over appropriations in budgetary funds –(Continued)

<u>General Fund</u>	<u>Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Government:			
Township Board	\$ 25,912	\$ 31,488	\$ (5,576)
Legal and audit fees	6,000	27,976	(21,976)
Insurance	9,035	9,044	(9)
Payroll taxes	5,010	5,072	(62)
Highways:			
Highways	25,812	32,315	(6,503)
Sanitation:			
Drain at large	<u>5,000</u>	<u>5,367</u>	<u>(367)</u>
Total Expenditures	<u>\$ 276,053</u>	<u>\$ 301,477</u>	<u>\$ (25,424)</u>

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk-Deposits. Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned to the Township. The Township does not have a deposit policy for custodial credit risk. As of March 31, 2006, \$254,316 of the Township's bank balance of \$354,316 is exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$254,316</u>
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**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 4. CAPITAL ASSETS

Capital asset activity is as follows:

	Balance April 1, 2005	<u>Acquisitions</u>	<u>Dispositions</u>	Balance March 31 2006
Governmental activities:				
Assets not be depreciated – Land	\$ 1,000	\$		\$ 1,000
Buildings and improvements	300,295			300,295
Furniture and equipment	29,286			29,286
Fire vehicles and equipment	130,173			130,173
Depreciable capital assets	<u>459,754</u>			<u>459,754</u>
Accumulated depreciation				
Buildings and improvements	209,975	4,289		210,264
Furniture and equipment	7,918	2,133		10,051
Fire vehicles and equipment	<u>62,535</u>	<u>13,017</u>		<u>75,552</u>
Total accumulated depreciation	<u>276,428</u>	<u>19,439</u>		<u>295,867</u>
Net depreciable capital assets	<u>183,326</u>	<u>(19,439)</u>		<u>163,887</u>
Governmental activities net capital assets	<u>\$ 184,326</u>	<u>\$ (19,439)</u>	<u>\$</u>	<u>\$ 164,887</u>

Depreciation expense charged to functions is as follows:

Governmental activities:	
General government	\$ 6,422
Public safety	<u>13,017</u>
Total depreciation expense –governmental activities	<u>\$ 19,439</u>

NOTE 5. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township is a member of the Michigan Township Participating Plan ("Plan") to establish and administer a risk management program; to prevent or lessen the incidence and severity of casualty losses and to defend and protect against liability or loss. The Plan provides protection to the Township based on its selected risks, limits and deductibles. Any settled claims have not exceeded the limits of coverage in any of the past three years.

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 6. SALINE AREA FIRE DEPARTMENT

The Township is a participant with the City of Saline and the Townships of Lodi and York in the operations of the Saline Area Fire Department (SAFD), a volunteer fire department organized for the purpose of providing fire protection for the City and Townships. The SAFD is governed by an eight-member board whose directors are selected and approved by the respective City and Township Boards. The board annually approves an operating budget for the SAFD and is responsible for all operating and financing decisions of the SAFD.

Under the terms of the agreement, the Township pays a percentage of the cost of capital outlay and operating expenditures for the SAFD. This percentage, which is currently 10.6%, is reviewed and adjusted as necessary on an annual basis based upon real and personal state equalized value, service area, population, miles of roads and family dwelling units.

The ownership of all personal property and an equitable interest in all real estate acquired by the SAFD is vested in the Township in direct proportion to the contribution made by the Township to the cost of the related real and personal property. If the agreement is terminated by the Township by notice of withdrawal, the capital interest of the Township will be returned to the Township in five equal installments commencing one year after the date of withdrawal, plus interest at the rate of 6% per annum on the unpaid balance.

Condensed financial information related to the SAFD as of June 30, 2005, is as follows:

	<u>Governmental Activities</u>
Statement of Net Assets:	
Total assets	<u>\$1,758,082</u>
Total liabilities	\$365,601
Net assets	<u>\$1,392,481</u>
Statement of Activities:	
Revenues	\$819,701
Expenses	<u>784,225</u>
Net change in net assets	35,476
Beginning net assets	<u>\$1,357,005</u>
Ending net assets	<u>\$1,392,481</u>

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

TAX COLLECTION FUND

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended March 31, 2006

<u>ASSETS</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Cash and cash equivalents	<u>\$ 222,840</u>	<u>\$ 2,374,100</u>	<u>\$ 2,584,173</u>	<u>\$ 12,767</u>
<u>LIABILITIES</u>				
Due to general fund	<u>\$ 222,840</u>	<u>\$ 2,374,100</u>	<u>\$ 2,584,173</u>	<u>\$ 12,767</u>